



The FY2010 City Budget

The Chicago Rehab Network is a non-profit coalition of over 40 community development corporations and housing advocates in the city of Chicago. We present this testimony to bring forth the issue of affordable housing and its priority within the proposed 2010 City of Chicago budget.

The City has presented a balanced budget for 2010 totaling \$6.1 billion, a 6.4 percent increase from 2009 year-end estimate. The 2010 budget includes \$3.2 billion in Corporate Fund availability. Balancing the budget was largely due to the City borrowing \$370 million from Parking Meter Lease proceeds to help plug the \$520 million deficit reported in the preliminary budget. The \$370 million includes \$270 million drawn down from the Parking Meter Long Term Reserves and a \$100 million advance from the year 2012 mid-term reserves. In addition, the City will trim personnel costs and institute more furlough days and restructure debt.

Resources for Housing

The Department of Community Development budget for 2010 is \$31.3 million, \$5.5 million less than the 2009 appropriation. Grant funding for the Department for 2010 total \$323.8 million including carryovers. The bulk of grants funds are under the Recovery Act of 2009. As the Department who administers several programs geared towards economic recovery, we present the following concerns about funding levels that impact housing:

- **\$ 1.377 million less for Delegate Agencies.** Delegate agencies serve on the front lines of economic recovery and provide essential community services.
- **\$ 580,000 less in the City's contribution to Low Income Housing Trust Fund.** Although the Human Infrastructure Fund increases the funding for the LIHTF, the increase is by about \$300,000 from the previous year. In 2009 alone, the Department estimates that the LIHTF subsidy will assist more than 3,000 units of rental housing for households earning less than 30 percent of the median income, or \$22,500 for a family of four.
- **\$ 600,000 less for Foreclosure prevention programs.** The Department did receive CDBG dollars through the Recovery Act to use towards foreclosure mitigation, counseling and outreach activities including:
 - Foreclosure prevention counseling - \$1,500,000
 - Foreclosure prevention outreach activities - \$1,400,000
 - Redevelopment and conversion of foreclosed condos into affordable rental apartments - \$2,500,000
- **\$ 750,000 less for Targeted Blocks and Emergency Housing Assistance Program.** The Emergency Housing Assistance Program provides assistance to qualified homeowners who need repairs or replacement of their heating unit or roof and porch. Under the Targeted Blocks program, qualified homeowners can receive funds for façade rehabilitation. The decrease in funding is detrimental to the preservation of one- to four-unit properties in Chicago and to the stock of safe, decent affordable rental housing.
- **\$ 98 million in Neighborhood Stabilization Program 2 (NSP2) is budgeted for 2010.** We are concerned about budgeting for such a large amount for 2010—almost one-third of DCD grants—even though the Department of Housing and Urban Development has not yet announced NSP2 grantees.

The Human Infrastructure Fund

The City replaces the expired **Skyway Human Infrastructure Fund** with the new **Parking Meter Human Infrastructure Fund**, using \$100 million from lease proceeds for an additional four years. The extension of the Human Infrastructure Fund will allow for much-needed programs that provide affordable housing and social services, especially during this time of need for many Chicagoans. We support the continuation of the Fund to maintain critical funding levels for programs such as the Low-Income Housing Trust Fund and the Plan to End Homelessness. The Fund will also support the creation of new programs including:

- \$35 million for a Property Tax Relief Program, which will provide grants of up to \$200 per household to offset increasing property taxes;
- \$8.4 million for a new Chicago Green Tech Corps program to provide technology training for laid-off workers;
- \$700,000 for homeless shelter beds

In total, \$56.5 million will be allocated to the 2010 Budget—that amounts to over half of the four-year fund allocated to 2010. **With revenues expected to decline and millions of dollars from mid- and long-term reserves already allocated, the future funding for these critical programs is in question.**

Chicago Rehab Network's Recommendations:

CRN supports the replacement of the Human Infrastructure Fund and maintain funding for critical housing and social service programs. However, we submit the following recommendations to address the concerns outlined above:

- The City must establish a plan to restore borrowed reserve funds to ensure long-term funding for Human Infrastructure Fund and future financial security of the City.
- Foreclosure mitigation and counseling programs need sustained funding and should not rely on grants alone. With unemployment rates increasing, the number of struggling homeowners will continue to rise and counseling and mitigation programs are necessary to prevent foreclosures.
- While budget cuts are necessary because of declining economically-sensitive revenues, the City must ensure that delegate agencies affected by cuts are still able to operate and provide services despite the decrease in funding.

CRN also recommends the following changes to the budget reporting process which can greatly improve transparency and accounting for revenues going towards affordable housing and coming from affordable housing programs.

- All Tax Increment Financing information should be included in the budget. TIF funds are essential to the City's finances and operations and are funded through taxpayer dollars. Therefore it is important that the City includes TIF finances as part the budget.
- The Affordable Housing Opportunities Fund should be reported as its own separate item similar to the reporting for Special Revenue Funds like the CTA Real Estate Transfer Tax Fund. Revenue sources for the Affordable Housing Opportunities Fund, which includes fees from the Downtown Density Bonus, and its expenditures, should also be reported in the budget. Currently, fees from the Downtown Density Bonus are being reported under the Licenses and Permits subcategory under the Corporate Fund.
- The City Budget should reflect funds awarded under the New Markets Tax Credit program. The City of Chicago was recently awarded \$55 million in New Market Tax Credits which is administered by the

Chicago Development Fund, a non-profit designated as the City's Community Development Financial Institution. The funds are used for economic development projects selected by a board chaired by City commissioners and aldermen as well as other appointees.

- An in-depth review of the Chicago Housing Authority's finances should be conducted in order to provide a complete picture of its revenue sources, expenses, and budget priorities. As the largest single recipient of affordable housing resources from the City and allocation of stimulus dollars for housing, CHA has largely operated with very little public discourse and dialogue between the communities it impacts through its Plan for Transformation. The economic crisis and the challenges it brings requires greater transparency and accountability but also calls on improved partnership and cooperation from all stakeholders in order to bring back stability in Chicago's communities.